

TOP SECRET

18 June 1980

MEMORANDUM FOR THE RECORD

Staff Meeting Minutes of 18 June 1980

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Mr. Carlucci chaired the meeting. []

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[] briefly reported on the following:

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--General Whitehead's session yesterday [] with Defense representatives went well re the "correlation of forces." He noted, however, that DIA was not in attendance and that Whitehead is planning a follow-up session which hopefully will include DIA.

--[] will visit NFAC and the DDCI today.

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--[] meeting this past weekend with American and European members of academia went well re Soviet intentions toward Europe.

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--NFAC and DDO are planning a get-together session [] to include office and division heads of both directorates. []

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McMahon said he felt his briefing to IOB Chairman Farmer yesterday on sensitive collection activities went well. He noted Farmer's query of whether or not we are providing intelligence to Admiral Long, CINCPAC, on third world countries on the periphery of the Soviet Union: Kerr responded in the affirmative. McMahon said Farmer also mentioned that his daughter produced an award-winning paper on how the French Communist Party operated during World War II, including a view on how the younger French Communist Party members are operating today. Mr. Carlucci opined that our relationship with the IOB has markedly improved; he noted also the Board's preference for informal--one on one--briefings devoid of charts, graphs, etc. []

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Noting a reduction in the Agency's attrition rate during May, Fitzwater said his office is remaining alert to the attrition factor. Relatedly, discussion was prompted by an article in today's Washington Post (attached) on growing economic impacts re Federal pay, particularly the increased possibility of a sharp limitation on SIS benefits, e.g., cap on total annual pay including bonus awards at \$52,750. Despite the probability of these impacts, Mr. Carlucci advised that we continue to address the SIS review procedure for the selection of officers for bonus awards, etc. Fitzwater noted also the cost of living index for this year is likely to provide increases of 8 percent for March and 7 percent for September which could induce another large exodus from the Agency by September. Relatedly, he said impacts are being felt at the GS-11, 12, and 13 level where disillusionment re long-term career benefits is becoming widespread, and we are likely to lose engineers and other hard-to-get specialists. []

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Kerr said his office is working out arrangements with DDO and the Office of Communications to ensure timely delivery of daily intelligence materials to the President and Secretary Muskie during their upcoming trip abroad. []

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[] reported Representative Tsongas was most pleased with the briefing given him this week by NFAC on the Afghanistan situation and on Soviet foreign policy. Mr. Carlucci opined that Representative Tsongas has become more favorably disposed toward the Agency and that the Congressman is interested in Intelligence Committee membership. []

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[] reported also that Jim Bush, HPSCI Staff, phoned this morning for verification of [] SA-7 firings against MIG's and helicopters in Afghanistan. McMahon said he was unaware of any. []

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[] said, and [] concurred, that Charters Legislation is dying a slow death on the Hill. A brief discussion followed on the various factors which have brought this about; Mr. Carlucci highlighted problems posed recently by the Department of Justice on the matters of sensitive collection and potential disclosure of sources and methods. Mr. Carlucci advised [] that, as soon as some of the current snags are resolved, we should accelerate support for the Zablocki amendment. []

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In response to McMahon's query on where we stand with Cutler re the ASNE, [] said Cutler will forward his letter to the Director, suggesting wording on the use of journalists, when the Director returns from his trip. [] said also that this specific matter might be overtaken by the DDO's recent request []

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[] reported CINCPAC has backed off its request for SR-71 and U-2R coverage of Somalia. In response to Mr. Carlucci's query, [] said that CINCPAC is responsible for this geographic area. Relatedly, Mr. Carlucci said a recent article by former Secretary of HEW Casper Weinberger raises the question of whether or not the Persian Gulf should be more appropriately referred to as the Arabian Gulf. Mr. Carlucci asked Kerr to review and advise. (Action: D/OCO/NFAC) []

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Mr. Carlucci said that, in a recent meeting with our Ambassador to El Salvador and Assistant Secretary of State Bowdler, the Ambassador insisted that Salvadorian leftists will not take over. Mr. Carlucci and McMahon concurred that the wisdom of the Ambassador's remark is doubtful. Mr. Carlucci asked NFAC to examine our current assessment of the situation and said he would welcome a discussion with NFAC and DDO experts. (Action: DDO and NFAC) []

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[] said most of the 1982 program submissions have been received 25X1
by RMS. He said indications are that we face an estimated [] 25X1
inflation impact in the 1982 budget. As a result, he said RMS is revising
their views on what needs to be done to cope with the impact and will
provide revised guidelines to program managers. Relatedly, Taylor raised
the question of the paucity of funds for travel: Lipton said he is
optimistic that OMB will provide relief. A brief discussion followed 25X1
wherein Mr. Carlucci expressed his broad concerns for upcoming budgetary
impacts; [] gave his views of shortfalls in both executive and legislative
handling of the 1981 Federal budget which he said makes impacts almost a 25X1
certainty for 1982. [] 25X1

Attachment

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By Richard L. Lyons
and Helen Dewar

Washington Post Staff Writers

The real battle of the budget began shaping up yesterday as the House Appropriations Committee reported out three more money bills for next year.

One of the three would freeze the pay of the highest-paid 30,000 employees in the legislative, executive and judicial branches—including members of Congress—who earn more than \$50,112.50 a year. If the rider is approved, 7,000 other top civil servants in the Senior Executive Service who are entitled under law to bonuses up to \$20,000 a year would be limited to \$52,750 in pay and bonuses combined.

This pay freeze, denying affected employees the cost-of-living increases most other government workers will probably get Oct. 1, was tacked onto a bill that will give the country another billion-dollar Congress. As sent to the House, the bill provides only \$973 million. But that does not include Senate expenses. Each branch votes its own funds and traditionally does not touch the other's. Senate add-ons will push the total over \$1 billion.

The committee also approved an agriculture money bill providing \$21.9 billion in new spending authority plus \$13 billion in loans and transfers. But the biggest item in the farm bill has to do with eating food rather than growing it. It is the food stamp program—a subsidy for the poor which began as a way of disposing of surplus farm commodities.

The budget emphasis so far this year—though it may shift if runaway inflation continues—is to hold down federal spending. A favorite way of appearing to do this is to cut entitlement programs—those costs of which are set by the number of eligible applicants—below estimated costs and then to vote more later. Food stamps is such a program and the committee cut the administration's requests from \$9.9 billion to \$9.7 billion. In the past the administration's original proposals have always proved too little.

The other bill would provide \$4.8 billion for military construction in the United States and abroad. It includes \$97 million to continue design of the MX missile, which would be moved secretly from one launching site to another in a giant shell game in hopes an enemy wouldn't know where to shoot at it.

The three bills together recommend \$37.7 billion in new budget authority plus \$13 billion to agricultural programs in loans and transfers.

The bills are a total of \$742 million below the administration's request. Most of that, \$568 million, was cut from the military construction bill. One-third of that reduction was achieved by cutting back on housing for families of military personnel.

There are 13 basic appropriations bills in all each year. Congress has turned to these after adopting its balanced budget resolution last week. That resolution merely set targets. The appropriations bill will determine whether those targets are hit. Actually, almost all the experts expect the budget to end up well in the red again, as the recession raises costs and cuts revenues.

The pay raise issue also complicated the appropriations process last year, when Congress first decided to deny itself and senior employees in the civil service a raise, then finally gave itself and senior employees a smaller raise than others in the federal service—5.5 versus 7 percent.

The House also debated yesterday and may take final votes today on an urgently needed \$15 billion supplemental appropriation bill to carry various programs through the rest of the fiscal year ending Sept. 30.

It includes \$1.5 billion for a fund to pay jobless benefits to people thrown out of work by imports as well as money for depleted programs for black lung benefits and disaster relief. Nearly half the money is for pay raises in effect since last year. There is also \$784 million to repair damage caused by the eruption of Mount St. Helens and \$100 million for refugee assistance.

The bill was delayed for months until approval of the budget resolution for next year raised this year's spending ceiling enough to make room for it.

Meanwhile, Congress' tax-writing committees began drafting measures to comply with the budget resolution, which calls for more than \$4 billion in increased revenues next fiscal year. But the committees steered clear of the controversial main revenue-raising proposal President Carter made, to withhold taxes on interest and dividends.

In initial drafting sessions, the House Ways and Means and Senate Finance committees also ignored other White House proposals, including tightening of the foreign tax credit.

Instead, the two panels came up with their own lists containing far less painful measures, from delaying a scheduled reduction in telephone excise taxes to creating a new tax to cover oil-spill cleanup costs to speeding up corporate income tax payments.

The Finance Committee tentatively approved two of the proposals—a plan to tax the profits made by foreigners on land sales in the United States, and a requirement that workers pay income taxes in cases where their companies pay Social Security taxes for them.

On still another front, House leaders apparently reached an understanding and averted a clash over turf between two powerful committees—a dispute that could have undermined

the budget discipline that Congress imposed on itself just last week.

At issue is \$500 million to continue Saturday mail deliveries that the House Appropriations Committee approved last week in seeming defiance of the budget resolution, which had assumed that that money would be cut.

The House seems likely to approve the Saturday mail money, but Speaker Thomas P. (Tip) O'Neill Jr. (D-Mass.) indicated he will somehow make it clear that the House is not retreating from its commitment to balance the 1981 budget.

That understanding, reached in an afternoon-long meeting between O'Neill and leaders of the feuding Budget and Appropriations committees, appeared to satisfy the request of Budget Committee Chairman Robert N. Giaimo (D-Conn.), for a show of support by the House leadership for continued budget discipline.

What will actually happen to Saturday mail deliveries after the new fiscal year starts Oct. 1 is not entirely clear.

It could be eliminated in a package of spending cuts, drafted under the reconciliation process, later this summer. It is also possible that the Senate might reject the \$500 million appropriation. Or, as some sources suggested yesterday, the Postal Service might be able to finance Saturday deliveries with a \$250 million appropriation, with another \$250 million to be cut elsewhere in the civil service postal area.

Yet another possibility is that Congress might declare itself satisfied with half-a-loaf on the postal subsidy issue.

In a Budget Committee meeting yesterday, Giaimo conceded it would be fruitless to try to fight Saturday mail deliveries on the House floor, saying it would be wiser to wage the battle over the whole package of reconciliation cuts. "I'm fearful of the postal lobby," he said. "They have tremendous power."

As for progress on reconciliation generally, Giaimo said he understood that most committees charged with a responsibility for making spending cuts have indicated a cooperative attitude.

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18 June 1980